

NATIONAL DAIRY MARKET AT A GLANCE**CHICAGO MERCANTILE EXCHANGE (CME) CASH MARKETS (12/24):**

BUTTER: Grade AA closed at \$1.2750. The weekly average for Grade AA is \$1.2950 (-.0958).

CHEESE: Barrels closed at \$1.2400 and blocks at \$1.3000. The weekly average for barrels is \$1.2650 (-.0090) and blocks, \$1.3067 (-.0333).

BUTTER: The butter market tone is weak. Cream supplies are more available to most butter operations across the country. Demand for cream for Class II cream based products has slowed greatly as the year-end holidays near. Most butter manufacturers are looking forward to the possibility of some additional cream becoming available over the two holiday weeks. They are watching price relationships closely to see if the average price will come back down. Butter demand has slowed as most buyers are now working from inventories. Fill-in orders are expected during the holiday period, but for the most part, producers and handlers do not anticipate much sales activity until after the new year. Stocks of butter are reported to be sufficient for anticipated butter needs. Licensed butter imports through November total 13.6 million pounds, 88.5% of the annual quota total. The Commodity Credit Corporation (CCC) invites competitive offers to buy from CCC approximately 6.2 million pounds of salted butter. Bids are due December 30 with public notification on January 2. On December 24, CCC announced corrected prices for the 2.5 million pounds of butter sold back two weeks ago. The corrected price range is \$1.2810 – 1.2910 per pound.

CHEESE: The cheese market is weak. Current spot activity is very light due to year-end inventory considerations. Packaging and processing plants are closed for at least an extra day this week and next, lowering their bulk cheese requirements. Scheduling deliveries is also more difficult during the holidays. Natural cheese orders for early January are fair to often good for expected Super Bowl needs. Process interest remains light. Current cheese production is steady to generally heavier due to the slower Class I demand while schools are closed for the holidays.

FLUID MILK: Milk production patterns are steady to only slightly higher across much of the country. Bottled milk orders are lower with schools starting winter vacations and retail interest mixed. Surplus milk typically available over the year-end holidays is expected to be handled easily in all regions. Many areas of the Southwest are slow to move higher, especially on a per cow basis. Demand for bottled milk remains inconsistent because of the grocery strike. In the Northwest, winter weather and cooler temperatures are not impacting the steady to slightly higher milk production. Snow in Utah and Idaho milk regions caused some problems in milk procurement but did not stifle output. Midwestern milk intakes are slightly higher. A plant explosion in Wisconsin is causing milk to be diverted. Milk production continues to increase in the Southeast and is holding steady in the Northeast. Milk needs declined in Florida and milk is moving out of state

for processing.

DRY PRODUCTS: Dry dairy product markets are characterized as slow this week as most buyers have their needs met through the end of the year. Nonfat dry milk prices are holding steady in all areas. Production is growing as surplus milk is moving to balancing plants. Demand beyond contracts is light. Dry buttermilk markets are steady and untested in limited trading. Additional production may be developing but will move to fill prior commitments. Whey and WPC prices are lower as supplies build and demand wanes. Export interest is light, putting additional stress on these markets. Domestic prices are being lowered in attempts to stimulate interest. Lactose prices are unchanged in a firm market ahead of stated higher first quarter 2004 contract prices.

CCC: During the period of December 22 - 23, CCC purchased 8,048,014 net pounds of nonfortified NDM from the West.

USDA MAKES PRELIMINARY DIAGNOSIS OF BSE: WASHINGTON, Dec. 23, 2003—Agriculture Secretary Ann M. Veneman today announced that the U.S. Department of Agriculture has diagnosed a presumptive positive case of bovine spongiform encephalopathy (BSE) in an adult Holstein cow in the state of Washington. "Despite this finding, we remain confident in the safety of our beef supply," Veneman said. "The risk to human health from BSE is extremely low." For the entire press release and more information on BSE go to www.usda.gov.

THE DAIRY OUTLOOK (ERS): (Dec. 17) Overall, dairy markets are expected to be better balanced in 2004. Demand is projected to grow more than milk production, commercial stocks are expected to be smaller, and commercial exports of nonfat dry milk might substantially trim the recent surplus. However, this basic improvement might not generate higher farm milk prices next year. Milk production has not yet shown signs of a significant downturn and is expected to stay relatively close to a year earlier through 2004. Milk cow numbers are expected to decline at a fairly rapid clip through 2004. Milk per cow probably will remain relatively weak in 2004 but could post some recovery from this year's poor showing. Milk production throughout 2004 is expected to run a bit less than 1 percent above 2003 (on a daily average basis). The 2004 surplus of milkfat is projected to be quite small. Increases in use are expected to surpass growth in milkfat production, creating somewhat tight milkfat markets. Cheese and butter prices are projected to run above those of the first half of 2003. Growth in demand is expected to exceed increases in production, and commercial stocks likely will be smaller. Nonfat dry milk prices are expected to stay near the support purchase price during the first half of 2004 under the pressure of a sizable continuing surplus. Farm milk prices are expected to average above a year earlier during the first half of 2004. The current market balance probably will be somewhat tighter, commercial stocks will be lower, and the skim solids surplus is projected to be less.

****SPECIAL THIS ISSUE****

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**CHICAGO MERCANTILE EXCHANGE
CASH TRADING**

CHEESE: carload = 40,000-44,000 lbs., BUTTER: carlot = 40,000-43,000 lbs.

| PRODUCT | MONDAY DECEMBER 22 | TUESDAY DECEMBER 23 | WEDNESDAY DECEMBER 24 | THURSDAY DECEMBER 25 | FRIDAY DECEMBER 26 | WEEKLY CHANGE* | WEEKLY AVERAGE# |
|--------------------|-----------------------|------------------------|--------------------------|-------------------------|-----------------------|-------------------|----------------------|
| CHEESE BARRELS | \$1.2800 (N.C.) | \$1.2750 (-.0050) | \$1.2400 (-.0350) | NO TRADING | NO | (-.0400) | \$1.2650 (-.0090) |
| 40# BLOCKS | \$1.3200 (N.C.) | \$1.3000 (-.0200) | \$1.3000 (N.C.) | HOLIDAY | TRADING | (-.0200) | \$1.3067 (-.0333) |
| BUTTER GRADE AA | \$1.3150 (-.0200) | ---- | \$1.2750 (-.0400) | ---- | HOLIDAY | (-.0600) | \$1.2950 (-.0958) |

*Sum of daily changes. # Weekly averages are simple averages of the daily closing prices for the calendar week. Computed by Dairy Market News for informational purposes. This data is available on the Internet at WWW.AMS.USDA.GOV/MARKETNEWS.HTM (NOTE: The NDM daily/weekly prices are reported here when changes occur. The Extra Grade price is \$.8400 and Grade A price is \$.8400. NDM information remains available at the above internet address.) NOTE: THE CME WILL BE CLOSED THURSDAY AND FRIDAY, 1/1-2/04.

CHICAGO MERCANTILE EXCHANGE

MONDAY, DECEMBER 22, 2003

CHEESE -- SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 1 CAR 40# BLOCKS @ \$1.3200

BUTTER -- SALES: NONE; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 10 CARS GRADE AA: 2 @ \$1.3150, 2 @ \$1.3225, 2 @ \$1.3250, 2 @ \$1.3325, 2 @ \$1.3350

TUESDAY, DECEMBER 23, 2003

CHEESE -- SALES: 10 CARS 40# BLOCKS @ \$1.3000; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 2 CARS BARRELS: 1 @ \$1.2750, 1 @ \$1.2800; 2 CARS 40# BLOCKS @ \$1.3200

WEDNESDAY, DECEMBER 24, 2003

CHEESE -- SALES: 4 CARS 40# BLOCKS: 1 @ \$1.2975, 1 @ \$1.3000, 1 @ \$1.2975, 1 @ \$1.3000; BIDS UNFILLED: NONE; OFFERS UNCOVERED: 2 CARS BARRELS: 1 @ \$1.2400, 1 @ \$1.2750; 1 CAR 40# BLOCKS @ \$1.3200

BUTTER -- SALES: 8 CARS GRADE AA: 5 @ \$1.2700, 1 @ \$1.2600, 2 @ \$1.2750; BIDS UNFILLED: 3 CARS GRADE AA @ \$1.2600; OFFERS UNCOVERED: 10 CARS GRADE AA: 1 @ \$1.2800, 2 @ \$1.2900, 2 @ \$1.2950, 1 @ \$1.3000, 2 @ \$1.3100, 2 @ \$1.3150

THURSDAY, DECEMBER 25, 2003 & FRIDAY DECEMBER 26, 2003
CLOSED FOR THE HOLIDAY -- NO TRADING**USDA MAKES PRELIMINARY DIAGNOSIS OF BSE -- NEWS RELEASE NO. 0432.03**

WASHINGTON, Dec. 23, 2003—Agriculture Secretary Ann M. Veneman today announced that the U.S. Department of Agriculture has diagnosed a presumptive positive case of bovine spongiform encephalopathy (BSE) in an adult Holstein cow in the state of Washington. "Despite this finding, we remain confident in the safety of our beef supply," Veneman said. "The risk to human health from BSE is extremely low." Because the animal was non-ambulatory (downer) at slaughter, samples were taken Dec. 9 as part of USDA's targeted BSE surveillance system. The samples were sent to USDA's National Veterinary Services Laboratory in Ames, Iowa. Positive results were obtained by both histology (a visual examination of brain tissue via microscope) and immunohistochemistry (the gold standard for BSE testing that detects prions through a staining technique). Test results were returned on Dec. 22 and retested on Dec 23. USDA has initiated a comprehensive epidemiological investigation working with state, public health, and industry counterparts to determine the source of the disease. USDA will also work with the Food and Drug Administration as they conduct animal feed investigations, the primary pathway for the spread of BSE. This investigation has begun while the sample is being sent to the world reference laboratory in England for final confirmation. USDA will take the actions in accordance with its BSE response plan, which was developed with considerable input from federal, state and industry stakeholders. BSE is a progressive neurological disease among cattle that is always fatal. It belongs to a family of diseases known as transmissible spongiform encephalopathies. Also included in that family of illnesses is the human disease, variant Creutzfeldt-Jakob Disease (vCJD), which is believed to be caused by eating neural tissue, such as brain and spinal cord, from BSE-affected cattle. USDA has determined that the cow comes from a farm in Washington State and as part of the USDA response plan, the farm has been quarantined. After the animal was slaughtered, the meat was sent for processing and USDA's Food Safety and Inspection Service is working to determine the final disposition of products from the animal.

For more information visit www.usda.gov.**BUTTER MARKETS****NORTHEAST**

The market tone is mixed. The price at the CME dropped another two cents on Monday (12/22). In the last two sessions, the butter price "gave back" nearly all the 21.5 cents it gained during the first two sessions of last week. Demand for butter is still quite good, but if packaged butter isn't already in the retailers' distribution chain, it is too late for Christmas. Eastern producers report that more cream is available, but following last week's price increase, the prices are a little too high to aggressively pursue outside cream. Fresh butter stocks are still tight, but demand for bulk seems to have eased. Frozen butter stocks are still fully adequate, but microfixing has slowed. Retail demand for butter is holding about steady. Food service orders remain good. Sales of bulk butter f.o.b. East, are reported in a range of flat market to 7.5 cents over the CME price/average.

CENTRAL

The butter market is unsettled, although the overall tone is weak. Within the last four cash trading sessions (December 15 – 22), the cash price firmed \$.2150 but then declined \$.1700. Many producers and handlers were not overly surprised at the weakness and for most, welcomed, as churning schedules and inventories are expected to increase during the next few weeks. As the Christmas holiday nears, butter producers indicate that cream supplies are becoming more available. Demand for cream from Class II operations has slowed greatly and will be lighter during the next week to 10 days. Many butter producers indicate that they will be able to churn over the holiday period and be able to inventory the production at more favorable price levels than if the cash price remained higher. Butter demand has slowed as most buyers are now working from

inventories. Fill-in orders are expected during the holiday period, but for the most part, producers and handlers do not anticipate much sales activity until after the New Year. Retailers indicate that sales activity has been quite strong prior to the holidays, stimulated by overall favorable prices and scattered feature activity. Food service sales have been equally as strong. Favorable weather patterns and a strong holiday shopping season has encouraged away from home eating patterns. Bulk butter for spot sale is available and is being reported in the flat - 2 cents per pound range over various pricing basis.

WEST

Butter prices at the cash CME market continued to give up some of the ground made up early last week. Futures prices for all months of butter also continued to weaken. Most butter producers are happy with the pre-holiday movement of bulk and print butter that has occurred. Some butter features at the retail level are noted, but perhaps not as many as in some years. Print orders have come to an end and are not expected to resume until end users reassess their stock situations. Most butter manufacturers are looking forward to the possibility of some additional cream becoming available over the two holiday weeks. They are watching price relationships closely to see if the average price will come back down. The way it stands currently there is less interest than expected. Licensed butter imports through November total 13.6 million pounds, 88.5% of the annual quota total. Current prices for bulk butter range from flat market to 3 1/2 cents under the market based on the CME with various time frames and averages.

NASS DAIRY PRODUCT PRICES**DATA WAS NOT AVAILABLE AT THE TIME THIS REPORT WAS PUBLISHED**Further data and revisions may be found on the internet at: <http://jan.mannlib.cornell.edu/reports/nassr/price/dairy>

CHEESE MARKETS

NORTHEAST

Prices are again mixed and the market tone steady to weak. Prices for natural items are generally lower while process prices increased fractionally. Cheese output in the Northeast is up slightly as bottlers have been canceling some loads they had ordered late last week. With schools being closed, more surplus milk is available to cheese plants. Demand for cheese is slowing at the plant levels now that most orders have been shipped. However, wholesale distributors are very busy trying to fill their orders during this holiday shortened week. Retail sales are fair to good and following seasonal patterns. Food service orders are good as the holidays are a very good time for dining out.

WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

| | | |
|-----------------------------|---|---------------|
| Cheddar 10# Prints | : | 1.4050-1.9100 |
| Cheddar Single Daisies | : | 1.3625-1.8275 |
| Cheddar 40# Block | : | 1.4800-1.7275 |
| Process 5# Loaf | : | 1.4850-1.6850 |
| Process 5# Sliced | : | 1.5050-1.7400 |
| Muenster | : | 1.5775-1.7700 |
| Grade A Swiss Cuts 10 - 14# | : | 2.3500-2.5500 |

MIDWEST

The cheese market is unsettled. Spot activity until January is very light. Bulk cheese requirements are reduced during the holiday period as packaging and processing plants are closed for at least an extra day each week. Current finished product delivery schedules are also interrupted during the holidays. Natural orders for January delivery appear good early, as buyers reload after the holidays for Super Bowl promotions. Buyers and sellers continue to minimize calendar year-end inventory levels. Process interest is light. Some barrels continue to be discounted. Current plant natural inventories are light to in balance. Additional milk volumes are clearing to manufacturing plants from bottlers until the New Year. Some plant operators are not interested in extra milk supplies in order to enjoy an extra vacation day or two during the holidays. Cheese yields remain good.

WISCONSIN WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

| | | |
|---|---|---------------|
| Process American 5# Loaf | : | 1.4550-1.8100 |
| Brick And/Or Muenster 5# | : | 1.8400-1.9975 |
| Cheddar 40# Block | : | 1.7400-2.1150 |
| Monterey Jack 10# | : | 1.9100-2.1150 |
| Blue 5# | : | 2.0925-2.5400 |
| Mozzarella 5 - 6# (Low Moisture, Part Skim) | : | 1.6400-2.2150 |
| Grade A Swiss Cuts 6 - 9# | : | 2.0000-2.6850 |

WEEKLY COLD STORAGE HOLDINGS-SELECTED STORAGE CENTERS
IN THOUSAND POUNDS - INCLUDING GOVERNMENT STOCKS

BUTTER : CHEESE

| | | |
|----------|--------|-----------|
| | : | |
| 12/22/03 | 35,811 | : 123,817 |
| 12/01/03 | 41,424 | : 123,592 |
| CHANGE | -5,613 | : 225 |
| % CHANGE | -14 | : N.C. |

WEST

Process cheese items showed some fractional strength while natural items were as much as 1 1/2 cents lower in price following trading at the cash CME market last week. Most contacts are expecting a slow week because of the holiday at the end of the week. They are anticipating more activity next week because it will be easier to find truckers willing to make runs over the New Years holiday than Christmas. Buyers are also adjusting purchase schedules because of end of the year inventory considerations. Orders developing for January delivery of cheese are looking very good. This may mean that inventories are at manageable levels and price levels are acceptable. Plants are anticipating some additional milk to become available for processing over the two holiday weeks and most are willing to take some of the surplus. High-tier imports of cheese (outside of the licensed imports) through November total 20.5 million kgs., about 20% below the total of last year for the same period.

WHOLESALE SELLING PRICES: DELIVERED, DOLLARS PER POUND
(1000 - 5000 POUNDS MIXED LOTS)

| | | |
|---------------------------|---|---------------|
| Process 5# Loaf | : | 1.4225-1.6825 |
| Cheddar 40# Block | : | 1.4700-1.8200 |
| Cheddar 10# Cuts | : | 1.6500-1.8700 |
| Monterey Jack 10# | : | 1.6600-1.8200 |
| Grade A Swiss Cuts 6 - 9# | : | 2.2500-2.4600 |

FOREIGN

Prices are unchanged to lower and the market tone is quite firm. Demand for foreign type cheese typically peaks around the holidays. Distributors are very busy early this week as most will be closed for at least one, maybe two days this week and next. Stocks are generally adequate to meet needs. During the first eleven months of 2003, imports of cheese subject to licensing totaled 107.41 million Kg, 3.5% less than the same period last year. During the same period, imports of "high tier" cheese totaled 20.43 million Kg., 19.6% less the same period last year.

WHOLESALE SELLING PRICES: FOB DISTRIBUTORS DOCK
DOLLARS PER POUND (1000 - 5000 POUNDS, MIXED LOTS)

| VARIETY | NEW YORK | |
|--------------------------|-------------------|------------------|
| | IMPORTED | DOMESTIC |
| | : | : |
| Roquefort | : TFEWR | : -0- |
| Blue | : 2.6400-3.7200 | : 1.7000-3.1900* |
| Gorgonzola | : 3.6900-5.9400 | : 2.2175-2.4900* |
| Parmesan (Italy) | : TFEWR | : 3.1100-3.2000* |
| Romano (Italy) | : 2.1000-3.1500 | : -0- |
| Provolone (Italy) | : 3.4400-5.5000 | : 1.7075-1.9350* |
| Romano (Cows Milk) | : -0- | : 2.8975-5.0700* |
| Sardo Romano (Argentina) | : 2.8500-3.2900 | : -0- |
| Reggianito (Argentina) | : 2.6900-3.2900 | : -0- |
| Jarlsberg-(Brand) | : 2.7500-3.7900 | : -0- |
| Swiss Cuts Switzerland | : -0- | : 2.3500-2.5500 |
| Swiss Cuts Finnish | : 2.5900-2.8500 | : -0- |
| Swiss Cuts Austrian | : TFEWR | : -0- |
| Edam | : | : |
| 2 Pound | : TFEWR | : -0- |
| 4 Pound | : 2.1900-3.2500 | : -0- |
| Gouda, Large | : TFEWR | : -0- |
| Gouda, Baby (\$/Dozen) | : | : |
| 10 Ounce | : 27.8000-31.7000 | : -0- |

* = Price change.

FLUID MILK AND CREAM

E A S T

Spot shipments of Grade A milk into or out of Florida and other Southeastern states

| | THIS WEEK | | LAST WEEK | | LAST YEAR | |
|------------------|-----------|-----|-----------|-----|-----------|-----|
| | IN | OUT | IN | OUT | IN | OUT |
| FLORIDA | 0 | 129 | 32 | 0 | 0 | 100 |
| SOUTHEAST STATES | 0 | 0 | 0 | 0 | 0 | 0 |

EDITOR'S NOTE: Due to changes in milk supply agreements, milk import/export totals are not directly comparable to year ago figures and to shipments prior to April 1, 2003.

During November, milk production in the 20 major states totaled 11.66 billion pounds, down 0.2% from November 2002. The following are the November-to-November changes for selected states: Texas +8.9%, Vermont -1.9%, New York -3.3%, Kentucky -6.6%, Florida -7.1%, Pennsylvania -7.9%, and Virginia -8.8%. This week's news of an Italian dairy conglomerate's financial problems is causing some concerns for buyers and suppliers to that company's plants in North America. This week, milk production continues to increase in the Southeast and holding about steady in the Northeast. Following typical patterns, surplus milk supplies are increasing in all areas. Bottlers' need for milk is off significantly now that most schools are on vacation. Manufacturing plant contacts report a sharp increase in receipts, but little trouble in handling all the extra milk. This year's volumes are welcomed, but reported as lighter than last year's. Some milk that normally gets shipped to the Southeast is staying "up north" during the holidays. Florida's need for milk is more than satisfied by in-state production and handlers had to ship milk out of state to find manufacturing capacity. This too is typical for this time of year. Contacts report that pre-planning the holiday milk disposition is really helping ease the situation as long as there are no major plant problems. The condensed skim market is weaker as supplies increase and demand eases. This does tend to push more skim to local dryers. The fluid cream market is weak. A very quick turn around in the marketplace was expected and it did materialize. Early last week, the cream market was still firm, but demand has come to screeching halt and supplies are now approaching burdensome proportions. Class II demand is very slow as many buyers have closed their plants until after the new year. Many ice cream plants are down for the two-week holiday period, but a few are still operating and taking advantage of all the available cream. Spot prices are mixed. Multiples are sharply lower, but the CME butter average last week did jump more than 12 cents. Some buyers (mostly churns) are buying cream based on date of shipment or this week's average. Production of holiday items like egg nog, bottled cream, sour cream, and dips have slowed sharply now that most orders have been filled. Churning activity is heavier and more excess cream is moving to the Midwest.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

SPOT PRICES OF CLASS II CREAM, \$ PER LB BUTTERFAT

| | | |
|--|---|-------------------------------|
| F.O.B. PRODUCING PLANTS: NORTHEAST | - | 1.6551-1.8359 |
| DELIVERED EQUIVALENT ATLANTA | - | 1.6690-1.9193 M 1.7246-1.8080 |
| F.O.B. PRODUCING PLANTS: UPPER MIDWEST | - | 1.8080-1.8776 |

PRICES OF CONDENSED SKIM, \$ PER LB WET SOLIDS

| | |
|---|----------------|
| F.O.B. PRODUCING PLANTS: | |
| NORTHEAST- CLASS II - INCLUDES MONTHLY FORMULA PRICES | - .8700- .9300 |
| NORTHEAST- CLASS III - SPOT PRICES | - .9800-1.0600 |

M I D W E S T

Class I interest ranged from about steady with recent weeks at good levels early in the week to noticeably lighter where schools, and their fluid needs, are already closed until the New Year. Fluid demand was slowing even further on Tuesday (12/23) and larger volumes of extra milk were being diverted into manufacturing channels. A plant explosion and at least one other small temporary plant

breakdown were causing extra milk to back up in Wisconsin before the holiday. Manufacturing milk interest was limited due to some plant operators trying to adjust schedules to close for an extra day or two during the holidays. Few handlers were expecting overall milk volumes to be quite as heavy as recent years, at least early. When the milk would be available for manufacturing also affects the price paid. Reported spot milk prices range from a flat \$10.00, up to \$1.00 over class, with much of the holiday weekend milk moving for around flat MCP (multiple component price) or lower. Cream demand was also lighter with many ice cream plants either closed for the holidays or on abbreviated schedules. With the butter plant damaged, some extra milk will likely flow into cheese production. Current milk intakes are steady to just slightly higher. Fat and protein levels on incoming milk volumes remain good. Often above normal temperatures and some rain has melted much of the protective snow cover for the winter kill vulnerable alfalfa and winter wheat.

WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

| | DEC 18 - 22 | PREVIOUS YEAR |
|---------------------------|-----------------|-----------------|
| SLAUGHTER COWS | \$ 48.00- 55.00 | \$ 33.00- 37.00 |
| REPLACEMENT HEIFER CALVES | \$250.00-460.00 | 230.00-340.00 |

SOUTH ST. PAUL TERMINAL AUCTION MARKET (PER CWT.)

| | DEC 18 - 22 | PREVIOUS YEAR |
|----------------|-----------------|-----------------|
| SLAUGHTER COWS | \$ 50.00- 57.00 | \$ 33.00- 40.00 |

W E S T

Milk production trends in CALIFORNIA continue to hold relatively steady with recent weeks. Some handlers in the Central Valley are experiencing more growth on a comparative basis. In the southern and northern production areas, milk output is holding mostly steady. Processors in the state are expected to be able to handle any surplus milk over the holidays with some plants being scheduled down for employee holidays. The bottled milk market continues to be impacted by the grocery strike. Some bottlers have more orders while others are seeing declines. Retail orders are declining after product placement for this week. ARIZONA and NEW MEXICO are slowly climbing higher in milk output on a per cow basis. Conditions have been generally favorable for milk cows, but milk growth is most often below expectations. Plants are expected to handle milk offerings easily over the weekend with only anticipated balancing. The fluid CREAM market is weaker following last week's run up in price at the CME where Grade AA increased to \$1.4850 before falling to \$1.3150 on Monday, December 22. The increase made cream prices higher when based on the weekly butter average, but multiples and overages were dropped as demand for cream diminished this week. Western cream multiples are lower and range from 110 to 128, FOB, depending on class usage and basing point. Typical early winter weather is the rule in the PACIFIC NORTHWEST. Rain and temperatures in the 40's are common most days. Milk output ranges from holding steady to some slight increases. Plants have sufficient room for any additional loads of surplus milk that might become available over the two holiday weeks. Cream should also become more available, but there may be less interest as the average butter price at the CME last week was sharply higher. Production per cow in the region is about even with last year, but tests are noted to be generally higher. Some snow moved into UTAH and IDAHO over the weekend and fog became somewhat of a problem for milk procurement in some valleys on Monday. So far this winter, weather has not been an issue for milk production in the region. Plants are hoping to take some time off later in the week, but do not foresee any problems in handling available milk supplies. Hay stocks in the region look to be sufficient to get through the winter with ease. Top quality dairy hay supplies are becoming somewhat more difficult to find. Feeder hay is available.

NDM, BUTTERMILK & WHOLE MILK

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

NONFAT DRY MILK - CENTRAL AND EAST

CENTRAL: Prices are unchanged on a steady to weak market. With schools and some Class II plants closing for the holidays, more milk is available for intake at NDM plants. Production of NDM is seasonally higher with inventories building. Spot trade activity is light. Buying interest is expected to resume after the New Year holiday. Trade of CCC NDM from cheese/pudding exchanges is less available than in previous weeks. Sales of condensed skim are steady and mostly contractual.

EAST: Prices are mostly steady. Production levels are up now that more surplus milk is available in the East. Manufacturing plant contacts report that milk receipts are up sharply from past weeks but still below the levels seen last year at this time. Also, condensed skim sales are slower, further adding to drying schedules. The increased drying is giving some relief to the limited availability seen at Eastern plants in the past few months. Demand is fair as buyers, not under contract, are working down their stocks before the end of the year. Orders for January deliveries appear to be good.

F.O.B. CENTRAL/EAST: Includes EXTRA GRADE and GRADE A

LOW/MEDIUMHEAT: .8000 - .8800 MOSTLY: .8350 - .8600

HIGHHEAT: .8700 - .9450

NONFAT DRY MILK - WEST

Western low/medium heat NDM prices did not change in light trading. The market tone is steady to unsettled. More milk is showing up in butter/powder plants as holiday related surpluses develop. There was no announcement on DEIP allocations. Demand is slow as year end needs and inventories are considered. Resale movements are also very limited. During the week of December 15 - 19, CCC net purchases totaled 9.6 million pounds from the West. High heat prices in the region are steady with recent weeks. Orders have slowed due in large part to the time of year. Stocks remain light.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A

LOW/MEDIUMHEAT: .7950 - .8825 MOSTLY: .8000 - .8175

HIGHHEAT: .8375 - .8500

CALIFORNIA MANUFACTURING PLANTS - NDM

| WEEK ENDING | PRICE | TOTAL SALES | SALES TO CCC |
|-------------|--------------------|-------------|--------------|
| December 19 | DATA NOT AVAILABLE | | |
| December 12 | \$.8060 | 12,428,627 | 7,261,393 |

Prices are weighted averages for Extra Grade and Grade A Nonfat Dry Milk, f.o.b. California manufacturing plants. Prices for both periods were influenced by effects of long-term contract sales. Total sales (pounds) include sales to CCC. Compiled by Dairy Marketing Branch, California Department of Food and Agriculture.

DRY BUTTERMILK - CENTRAL

Prices continue unchanged and nominal on a steady to weak market. Milk and cream intakes are increasing at most butter plants, encouraging condensed buttermilk output. Intakes of condensed buttermilk at ice cream operations are seasonally lower. Consequently, dry buttermilk production is increasing. Excess volumes of dry buttermilk are being readily diverted into contracts that were previously shorted supplies. Limited supplies of dry buttermilk are available on the spot market for the light interest. Most buyers are opting to wait until the New Year before purchasing additional loads. Spot offers from the West are noted into the Central region at prices as low as .8500 F.O.B.

F.O.B. CENTRAL:

.9350 - 1.0125

DRY BUTTERMILK - NORTHEAST AND SOUTHEAST

Prices are unchanged and the Northeastern prices remain nominal. Production is up slightly as more cream is available and churning has increased in the East. With many ice cream plants down for the holidays, demand for condensed buttermilk has slowed and drying schedules have increased. Producer stocks, though still light, are increasing. Demand is slow to fair.

F.O.B. NORTHEAST:

.8400 - .8500

DELVD SOUTHEAST:

.8800 - .9000

DRY BUTTERMILK - WEST

Western dry buttermilk prices are unchanged and the market tone remains steady in slow trading during the holiday shortened week. There are indications that more loads of dry buttermilk are being made, but most are committed to prior accounts. Demand is slowing seasonally. Inventory levels are light.

F.O.B. WEST:

.8500 - .8800 MOSTLY: .8500 - .8700

DRY WHOLE MILK - NATIONAL

Prices and the market tone are unchanged. Prices are nominal. Production levels are often lighter as those plants that were making dry whole milk are switching to making NDM to process the milk a little faster. Demand is unchanged.

F.O.B. PRODUCING PLANT:

1.0750 - 1.2200

DEIP BID ACCEPTANCE SUMMARY

JULY 1, 2003 TO DATE
WITH CHANGES FROM PREVIOUS REPORT

NONFAT DRY MILK -- 22,733 MT (50,117,171 LBS)

Allocations for the DEIP year beginning July 1, 2003, were announced on August 15 and total 68,201 MT of NDM, 3,030 MT of cheese, and 21,097 MT of butterfat. (These totals are unchanged from last year's program.) This program-year's allocations are again being announced in stages. Stage one allocations are:

NDM -- 22,733 MT, butterfat -- 7,032 MT, and cheese -- 1,010 MT.

WHEY, CASEIN & EVAPORATED MILK

Prices represent carlot/trucklot quantities for domestic and export sales packaged in 25 kg. or 50 lb. bags, or totes, spray process, dollars per pound.

DRY WHEY - CENTRAL

Prices are unchanged to lower on a weak market. Milk intakes at cheese plants are seasonally higher, encouraging whey production. At some locations, whey inventories are building with offering prices noted at the lower end of the range. Other plants state that supplies are in good balance and offering at a premium. Traders are reporting purchases at a discount for the light interest. Most buyers are waiting until the New Year has passed before making additional purchases. Resale supplies of whey are trading below the average.

F.O.B. CENTRAL: .1800 - .1975 MOSTLY: .1850 - .1925

DRY WHEY - NORTHEAST AND SOUTHEAST

Prices are unchanged to mostly lower. The Northeastern prices remain nominal. The market tone is showing more signs of weakness. However, the East continues to be a very good supply/demand balance. Most producers are sold out and taking orders for future delivery. Occasionally, spot loads do become available and these are often trading at lower premiums. Demand is lackluster as buyers/users try clear their stocks before the end of the year. Also, there have been reports of some producers in other regions offering lower prices on multi-load sales if the product is out of their warehouses before the end of the year. With increased production expected during the next few weeks, the market isn't as firm as it had been early in the month. There is little concern though. Some contacts feel that if historical patterns are to be followed, demand will pick up in mid January and dry whey production will ease back to pre-holiday levels. Should this happen, prices could rebound.

F.O.B. NORTHEAST: EXTRA GRADE AND GRADE A: .1925 - .2175
DELVD SOUTHEAST: .2100 - .2325

DRY WHEY - WEST

Prices continue to edge lower for Western whey powder as sellers attempt to control growing inventories. Offering prices continue to fall, but interest this week was very light because of the upcoming holidays. Buyers are reviewing their own inventory situations before they consider additional purchases. Production is expected to increase over the near term as additional surplus milk is offered to cheese plants. Shipments into the Far East are expected to be light until mid-January because of the upcoming Chinese New Year.

NONHYGROSCOPIC: .1600 - .2150 MOSTLY: .1700 - .1800

ANIMAL FEED WHEY - CENTRAL

Prices are lower and nominal on a weak market. Supplies of milk replacer product are limited for the light interest. Most buyers are opting to wait until the New Year before replenishing stocks or making additional purchases, especially in light of lower prices reported on the Extra Grade market.

F.O.B. CENTRAL:
MILK REPLACER: .1700 - .1800

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Prices are unchanged and nominal on a weak market. Producer reports are mixed with some plants holding heavier stocks while other locations maintain balanced inventories for the mostly contractual interest. Spot sales are light. Some traders report offerings of multiple loads at discounts of 5-7 cents for shipment at the first of the year. Production is steady to higher as some cheese plants seasonally increase their milk intakes. Offerings of some domestic 80% WPC and New Zealand 70% and 80% WPC are competitive with the 34% WPC market. Off grade supplies are available for the light to fair interest.

F.O.B. EXTRA GRADE 34% PROTEIN: .5200 - .5575 MOSTLY: .5425 - .5575

LACTOSE - CENTRAL AND WEST

Prices continue unchanged on a firm market. Production is steady to higher in response to higher milk intakes at some cheese plants. Increased supplies are expected to readily clear into contracts or spot interest that is reported as strong. Inquiries are decreasing as many buyers and traders reduce their work hours during the holiday season. Activity is anticipated to increase at the first of the year when first quarter and annual contracts are realized. Some negotiations for first quarter persist yet most contracts have been finalized. Some producers state that this is the earliest they have ever reached agreements prior to a New Year. The undertone for the first quarter continues firm.

Including spot sales and up to 3 month contracts. Mesh size 30 - 100.

F.O.B. EDIBLE: .1950 - .2650 MOSTLY: .2050 - .2200

CASEIN - NATIONAL

Casein prices are unchanged, although the market tone is firm. Producers and handlers indicate that supplies are tight and the forecast for additional supplies are not optimistic. In most instances, suppliers are meeting domestic needs, although additional or spot requests are basically going unfilled. Some suppliers state that they may need to adjust delivery timelines during the first quarter of the new year. The recent subsidy adjustment in Europe is not having an immediate impact on the market, but suppliers within Europe and elsewhere anticipate that prices will remain firm and probably higher for next year. Under invitation #012, CCC sold back 502,546 pounds of government owned nonfat dry milk for the production of casein/caseinates at \$0.2200 per pounds. Since June 2002, 7,857,982 pounds of powder have been sold back to the trade for this purpose.

SPOT SALES AND UP TO 3 MONTH CONTRACTS. PRICES ARE F.O.B., U.S. WAREHOUSE FOR EDIBLE NONRESTRICTED AND VARY ACCORDING TO MESH SIZE AND QUALITY.

RENNET: 2.1000 - 2.2000
ACID: 2.0500 - 2.2500

EVAPORATED MILK - NATIONAL

Prices and the market tone are unchanged. Surplus milk volumes are increasing in most area of the country. However, the increasing milk supply is not equating to lower prices for the milk. Unlike a year when milk prices were lower and supplies heavier, there is little milk clearing at distressed prices this holiday season. Despite the fact that producers are waiting a ruling/decision by USDA, AMD, Dairy Programs that would change the Class utilization for evaporated milk from III to IV, milk prices are expected to be higher during 2004 than they were in 2003. This does present problems for producers who continue to meet stiff resistance to any price increase.

DOLLARS PER 48 - 12 FLUID OUNCE CANS PER CASE DELIVERED MAJOR U.S. CITIES \$19.00 - 30.00

Excluding promotional and other sales allowances. Included new price announcements.

THE DAIRY OUTLOOK

Better Supply-Demand Balance Expected in 2004 Dairy Markets

Overall, dairy markets are expected to be better balanced in 2004. Demand is projected to grow more than milk production, commercial stocks are expected to be smaller, and commercial exports of nonfat dry milk might substantially trim the recent surplus. However, this basic improvement might not generate higher farm milk prices next year. Much of this year's modest farm price recovery was caused by a misalignment of cheese prices with other dairy prices. Cheese buyers are likely to make quicker and more vigorous adjustments in 2004 that will prevent a repeat.

Milk Production About Steady - Milk production has not yet shown signs of a significant downturn and is expected to stay relatively close to a year earlier through 2004.

Milk cow numbers are expected to decline at a fairly rapid clip through 2004. The recent higher prices probably were perceived as temporary and are not projected to have a significant impact on farmers' long-run plans. Dairy farm exits probably will be more common than in several years, and farm expansions likely will be fewer and cautious. Also, cull cow prices are projected to stay strong as the beef industry seems poised to undergo a cyclical turn. Milk cow numbers are expected to run 1 to 2 percent below 2003 throughout next year. Milk per cow probably will remain relatively weak in 2004 but could post some recovery from this year's poor showing. Concentrate feed prices are projected to remain high next year, holding milkfeed price ratios to very low levels. Feed grain prices might run about the same as this year, but protein will be expensive. Farmers probably will stay conservative about boosting concentrate feeding, particularly compensating for poor forage with extra protein meal. Forage conditions remain a mixed bag in most important dairy areas. Dairy farmers commonly had quality (and quantity in some areas) problems for part of the forage season. Commercial hay supplies seem ample, but good quality can be hard to find. Forage quality may continue to threaten milk per cow, particularly if low milk prices deter farmers from seeking out good hay. On the other hand, weakness in milk per cow due to the 2002 heifer shortage should become a thing of the past. In fact, passage of this year's large heifer cohort into their second lactation should be positive for gains in milk per cow. Daily average milk per cow is projected to rise slightly more than 2 percent in 2004, just slightly recovering toward the long-run trend line. Milk production throughout 2004 is expected to run a bit less than 1 percent above 2003 (on a daily average basis). Such stability in milk output would tend to temper milk and dairy product prices next year. However, there might be higher odds for milk production to be weaker than now expected than for it to be stronger.

Recovery in Dairy Demand - Dairy demand in 2004 may move out of its 2-year stagnation. The economy is projected to grow at a fairly good clip, the employment picture is improving, and consumers seem to be returning to more typical spending patterns. Relatively low prices of dairy products should spur some additional use. Commercial use of milkfat and skim solids is projected to expand substantially next year. However, dairy demand is not likely to match the extraordinary strength of the 1999-2001 period. The 2004 surplus of milkfat is projected to be quite small. Increases in use are expected to surpass growth in milkfat production, creating somewhat tight milkfat markets. On the other hand, the surplus of skim solids will stay large. Ingredient use of skim solids has not yet responded very much to the sharply lower powder prices. However, economic growth should spur some ingredient use, particularly for upscale versions of some foods. The skim solids surplus is projected to decline next year to a level well below those of most recent years.

Continued on page 8

Butter and Cheese Price Strength Likely Temporary - Cheese and butter prices are projected to run above those of the first half of 2003. Growth in demand is expected to exceed increases in production, and commercial stocks likely will be smaller. Nonfat dry milk prices are expected to stay near the support purchase price during the first half of 2004 under the pressure of a sizable continuing surplus. If vigorous export demand develops, price prospects could change for powder, particularly if export sales coincide with recovery in domestic ingredient use. Second-half price prospects are uncertain. Supply-demand conditions, in most ways, probably will be somewhat tighter than during 2003. Prices of many products are projected to run somewhat above a year earlier. However, cheese prices may well be a key exception. In 2003, cheese buyers generally did not attempt to protect themselves against price rises until it was too late in the season to have much effect. More aggressive building of pipeline stocks during the spring of 2004 probably will forestall a repeat of the 2003 price pattern.

International market prices might slip slightly in early 2004. Production prospects for the second half of the Oceania season are favorable, and Northern Hemisphere demand will be seasonally softer. In addition, U.S. supplies of skim milk powder are quite competitive at current exchange rates, and large U.S. supplies may trim international prices. However, EU supplies may not become heavy until at least later in the year, and the improvement in international demand is expected to continue. Price decreases are expected to be modest.

Farm milk prices are expected to average above a year earlier during the first half of 2004. The current market balance probably will be somewhat tighter, commercial stocks will be lower, and the skim solids surplus is projected to be less. In addition, larger quantities will go into pipeline holdings to meet second-half needs. However, second-half milk prices are expected to fall short of this year's. Precautions taken during the first half are expected to prevent a large gap in the value of milk for cheese and for butter-powder. The average price of all milk in 2004 is projected to slip slightly from the \$12.60 per cwt. average for 2003. In general, market fundamentals, although healthier than during the preceding 2 years, are not expected to have adjusted enough to end the recent period of weak dairy prices. However, the odds of weaker-than-expected production (or stronger-than-expected demand) triggering substantial advances across the spectrum of product prices probably are higher than since 2001.

For all of 2003, retail dairy prices are projected to be about unchanged, with the higher farm prices absorbed by a lower spread. The farm-to-retail spread is expected to recover in 2004, pushing retail prices up 3 to 4 percent. Even so, dairy prices will have risen at an annual rate of only about 1 percent during 2001-04.

SOURCE: "Livestock, Dairy, and Poultry Outlook", LDP-M-114, December 17, 2003, Economic Research Service, USDA. For more information, contact James J. Miller, (202) 694-5184.

Editor's Note: This summary has been condensed from the original by the Market Information Branch, Dairy Programs, AMS.

FEDERAL MILK ORDER ADVANCE PRICES, JANUARY

Class I Base Price - Under the Federal milk order pricing system, the Class I base price for January 2004 is \$11.85 per cwt. This price is derived from the advanced Class III skim milk pricing factor of \$7.46 and the advanced butterfat pricing factor of \$1.3283. A Class I differential for each order's principal pricing point (county) is added to the base price to determine the Class I price. **Class II Price Information** - The advanced Class IV skim milk pricing factor is \$5.94. Thus, the Class II skim milk price for January is \$6.64 per cwt., and the Class II nonfat solids price is \$0.7378. **Product Price Averages** - The two-week product price averages for January are: butter \$1.2219, nonfat dry milk \$0.8072, cheese \$1.3227, and dry whey \$0.1967.

| FEDERAL MILK ORDER CLASS I PRICE INFORMATION ^{1/ 2/} | | | | |
|---|--------------|-----------------------|-------------------------|-------------------------|
| Federal Milk Order Marketing Area ^{3/} | Order Number | January 2004 | | |
| | | Class I Price (3.5 %) | Class I Skim Milk Price | Class I Butterfat Price |
| | | \$ per cwt. | \$ per cwt. | \$ per pound |
| Northeast (Boston) ^{4/} | 001 | 15.10 | 10.71 | 1.3608 |
| Appalachian (Charlotte) ^{5/} | 005 | 14.95 | 10.56 | 1.3593 |
| Southeast (Atlanta) ^{6/} | 007 | 14.95 | 10.56 | 1.3593 |
| Florida (Tampa) ^{7/} | 006 | 15.85 | 11.46 | 1.3683 |
| Midwest (Cleveland) ^{8/} | 033 | 13.85 | 9.46 | 1.3483 |
| Upper Midwest (Chicago) ^{9/} | 030 | 13.65 | 9.26 | 1.3463 |
| Central (Kansas City) ^{10/} | 032 | 13.85 | 9.46 | 1.3483 |
| Southwest (Dallas) ^{11/} | 126 | 14.85 | 10.46 | 1.3583 |
| Arizona-Las Vegas (Phoenix) ^{12/} | 131 | 14.20 | 9.81 | 1.3518 |
| Western (Salt Lake City) ^{13/} | 135 | 13.75 | 9.36 | 1.3473 |
| Pacific Northwest (Seattle) ^{14/} | 124 | 13.75 | 9.36 | 1.3473 |
| All-Market Average | | 14.43 | 10.04 | 1.3541 |

^{1/} To convert the Class I price per 100 pounds to the Class I price per gallon, divide by 11.63--the approximate number of gallons in 100 pounds of milk. ^{2/} Note: The mandatory \$0.20 per cwt. processor assessment under the Fluid Milk Promotion Order is not included in the Class I prices shown on this table. ^{3/} Names in parentheses are the major city in the principal pricing point of the markets. ^{4/} Class I prices at other cities are: New York City, minus \$0.10; Philadelphia, minus \$0.20; Baltimore, minus \$0.25, and Washington, DC, minus \$0.25. ^{5/} Class I prices at other cities are: Knoxville, minus \$0.30 and Louisville, minus \$0.90. ^{6/} Class I prices at other cities are: New Orleans; plus \$0.50; Memphis, minus \$0.30; Nashville, minus \$0.50; and Springfield, Mo., minus \$0.90. ^{7/} Class I prices at other cities are: Orlando, same; Miami, plus \$0.30; and Jacksonville, minus \$0.30. ^{8/} Class I prices at other cities are: Indianapolis, same; Cincinnati, plus \$0.20; Pittsburgh, plus \$0.10; and Detroit, minus \$0.20. ^{9/} Class I prices at other cities are: Milwaukee, minus \$0.05; and Minneapolis, minus \$0.10. ^{10/} Class I prices at other cities are: Des Moines, minus \$0.20; Omaha, minus \$0.15; Oklahoma City, plus \$0.60; St. Louis, same; and Denver plus \$0.55. ^{11/} Class I prices at other cities are: Houston, plus \$0.60; San Antonio, plus \$0.45; Albuquerque, minus \$0.65; and El Paso, minus \$0.75. ^{12/} Class I price at Las Vegas is minus \$0.35. ^{13/} Class I price at Boise is minus \$0.30. ^{14/} Class I prices at other cities are: Portland, same; and Spokane, same.

CCC PURCHASES OF DAIRY PRODUCTS (POUNDS)

| | FOR THE PERIOD OF DECEMBER 22 - 23, 2003 | | | CUMULATIVE TOTALS | | UNCOMMITTED INVENTORIES | |
|------------------------|--|----------------------|--------------------|-------------------|-----------------------|-------------------------|-----------------------|
| | TOTAL PURCHASES | CONTRACT ADJUSTMENTS | ADJUSTED PURCHASES | SINCE 10/01/03 | SAME PERIOD LAST YEAR | WEEK ENDING 12/19/03 | SAME PERIOD LAST YEAR |
| BUTTER | | | | | | | |
| Bulk | -0- | -0- | -0- | -0- | -0- | -0- | -0- |
| Packaged | -0- | -0- | -0- | -0- | -0- | -0- | -0- |
| TOTAL | -0- | -0- | -0- | -0- | -0- | -0- | -0- |
| CHEESE | | | | | | | |
| Block | -0- | -0- | -0- | -0- | 343,714 | -0- | -0- |
| Barrel | -0- | -0- | -0- | -0- | 296,019 | -0- | -0- |
| Process | -0- | -0- | -0- | -0- | 4,910,400 | -0- | -0- |
| TOTAL | -0- | -0- | -0- | -0- | 5,550,133 | -0- | -0- |
| NONFAT DRY MILK | | | | | | | |
| Nonfortified | 8,048,014 | -0- | 8,048,014 | 97,800,374 | 98,912,364 | 799,351,000 | 1,030,735,000 |
| Fortified | -0- | -0- | -0- | -119,048 | -0- | 46,391,000 | 46,391,000 |
| TOTAL | 8,048,014 | -0- | 8,048,014 | 97,681,326 | 98,912,364 | 845,742,000 | 1,077,126,000 |

MILK EQUIVALENT, FAT SOLIDS BASIS, OF ADJUSTED PURCHASES (MILLION POUNDS)

| | MILKFAT* BASIS | SKIM** SOLIDS | | MILKFAT* BASIS | SKIM** SOLIDS |
|-------------------------------------|----------------|---------------|------------------------------------|----------------|---------------|
| PERIOD OF DECEMBER 22 - 23, 2003 = | 1.8 | 93.7 | COMPARABLE PERIOD IN 2002 = | 8.4 | 103.0 |
| CUMULATIVE SINCE OCTOBER 1, 2003 = | 21.5 | 1,137.0 | CUMULATIVE SAME PERIOD LAST YEAR = | 73.0 | 1,206.2 |
| CUMULATIVE JAN. 1 - DEC. 23, 2003 = | 713.5 | 7,549.8 | COMPARABLE CALENDAR YEAR 2002 = | 267.6 | 7,985.9 |

* Factors used for Fat Solids Basis - Butter times 21.80; Cheese times 9.23; and Nonfat Dry Milk times 0.22

**Factors used for Skim Solids Basis - Butter times 0.12; Cheese times 9.90; and Nonfat Dry Milk times 11.64

CCC ADJUSTED PURCHASES FOR THE PERIOD OF DECEMBER 22 - 23, 2003 (POUNDS)

| REGION | BUTTER | | | CHEESE | | | NONFAT DRY MILK | |
|---------|--------|----------|----------|--------|--------|---------|-----------------|-----------|
| | BULK | PACKAGED | UNSALTED | BLOCK | BARREL | PROCESS | NONFORTIFIED | FORTIFIED |
| CENTRAL | -0- | -0- | -0- | -0- | -0- | -0- | -0- | -0- |
| WEST | -0- | -0- | -0- | -0- | -0- | -0- | 8,048,014 | -0- |
| EAST | -0- | -0- | -0- | -0- | -0- | -0- | -0- | -0- |

CCC ADJUSTED PURCHASES SINCE 10/1/03 AND SAME PERIOD LAST YEAR (POUNDS) AND MILK EQUIVALENT AS A PERCENT OF TOTAL

| REGION | BUTTER | | CHEESE | | NONFAT DRY MILK | | MILK EQUIVALENT (%) | |
|--------------|---------|---------|---------|-----------|-----------------|------------|---------------------|---------|
| | 2003/04 | 2002/03 | 2003/04 | 2002/03 | 2003/04 | 2002/03 | 2003/04 | 2002/03 |
| CENTRAL | -0- | -0- | -0- | 4,910,400 | 849,976 | 1,015,166 | 0.9 | 91.6 |
| WEST | -0- | -0- | -0- | 639,733 | 96,831,350 | 97,897,198 | 99.1 | 8.4 |
| EAST | -0- | -0- | -0- | -0- | -0- | -0- | -0- | -0- |
| TOTAL | -0- | -0- | -0- | 5,550,133 | 97,681,326 | 98,912,364 | 100.0 | 100.0 |

SUPPORT PURCHASE PRICES FOR DAIRY PRODUCTS PRODUCED ON OR AFTER NOVEMBER 15, 2002

MANUFACTURING MILK Average Test 3.67% - \$9.90 per cwt.

BUTTER Bulk \$1.0500 per pound; 1# Prints \$1.0850

CHEESE 40 & 60# Blocks \$1.1314 per pound; 500# Barrels \$1.1014; Process American 5# \$1.1889; Process Am. 2# \$1.2289

NONFAT DRY MILK Nonfortified \$.8000 per pound; Fortified \$.8100; Instant \$0.9625

U.S. Dairy & Total Cow Slaughter under Federal Inspection, by Regions, for Week Ending 12/06/03 & Comparable Week 2002

| Regions* (000 HEAD) | U.S. TOTAL | | | | | | | | | | % DAIRY OF ALL | |
|---------------------|------------|-----|------|------|------|------|------|-----|------|-----|------------------|------------------|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | WEEK SINCE JAN 1 | WEEK SINCE JAN 1 |
| 2003-Dairy | 0.2 | 0.8 | 7.7 | 5.4 | 24.1 | 2.6 | 0.4 | 1.2 | 15.6 | 3.2 | 61.1 | 48.2 |
| 2002-Dairy | 0.2 | 0.9 | 6.6 | 4.8 | 22.8 | 2.6 | 0.4 | 1.0 | 16.5 | 2.6 | 58.3 | 47.7 |
| 2003-All cows | 0.2 | 1.0 | 10.1 | 12.5 | 35.8 | 18.5 | 19.7 | 4.0 | 17.4 | 7.5 | 126.7 | 46.0 |
| 2002-All cows | 0.2 | 1.1 | 9.0 | 13.1 | 34.6 | 15.1 | 17.2 | 4.0 | 19.2 | 8.6 | 122.2 | |

SOURCE: The slaughter data are gathered and tabulated in a cooperative effort by the Agricultural Marketing Service, The Food Safety and Inspection Service, and the National Agricultural Statistics Service, all of USDA.

CLASS III MILK PRICES, (3.5% BF)

| YEAR | JAN | FEB | MAR | APR | MAY | JUN | JUL | AUG | SEP | OCT | NOV | DEC |
|------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| 2000 | 10.05 | 9.54 | 9.54 | 9.41 | 9.37 | 9.46 | 10.66 | 10.13 | 10.76 | 10.02 | 8.57 | 9.37 |
| 2001 | 9.99 | 10.27 | 11.42 | 12.06 | 13.83 | 15.02 | 15.46 | 15.55 | 15.90 | 14.60 | 11.31 | 11.80 |
| 2002 | 11.87 | 11.63 | 10.65 | 10.85 | 10.82 | 10.09 | 9.33 | 9.54 | 9.92 | 10.72 | 9.84 | 9.74 |

FEDERAL MILK ORDER CLASS PRICES FOR 2003 - 2004 (3.5% BF)

| CLASS | JAN | FEB | MAR | APR | MAY | JUN | JUL | AUG | SEP | OCT | NOV | DEC | JAN 2004 |
|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|----------|
| I 1/ | 10.56 | 10.23 | 9.81 | 9.64 | 9.71 | 9.74 | 9.77 | 10.97 | 13.71 | 14.27 | 14.37 | 13.84 | 11.85 |
| II | 11.29 | 10.66 | 10.54 | 10.44 | 10.43 | 10.46 | 10.63 | 10.81 | 10.76 | 10.84 | 10.99 | | |
| III | 9.78 | 9.66 | 9.11 | 9.41 | 9.71 | 9.75 | 11.78 | 13.80 | 14.30 | 14.39 | 13.47 | | |
| IV | 10.07 | 9.81 | 9.79 | 9.73 | 9.74 | 9.76 | 9.95 | 10.14 | 10.05 | 10.16 | 10.30 | | |

1/ Specific order differentials to be added to this base price are located at www.ams.usda.gov/dyfmoms/mib/clis_prod_cmp_pr.htm